

WATER/TAC:jrb**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4395****May 8, 2003****R E S O L U T I O N**

**(RES. W-4395), HAVASU WATER COMPANY (HWC). ORDER
AUTHORIZING A RATE BASE OFFSET AND A COST OF
LIVING (CPI-U) RATE INCREASE PRODUCING ADDITIONAL
ANNUAL REVENUE OF \$16,304 OR 13.44% IN 2003.**

SUMMARY

By Draft Advice Letter, filed on January 21, 2003, HWC seeks revision of tariff Schedule No. 1, General Metered Service, to provide for an increase in revenues of \$13,078 or 10.78%. This increase is a result of Resolution W-4316, which in its ordering paragraph authorized HWC to file an advice letter rate increase requesting recovery of construction of the 100,000-gallon tank. In addition, pursuant to Decision 92-03-093, which authorized all Class C and D water utilities to file once a year by advice letter for a rate increase based on the most recent year-end increase in the Consumer Price Index (CPI-U), HWC filed a Draft Advice Letter seeking a 2.4% CPI-U increase. The total increase of \$16,304 will provide a 13.25% rate of return on a new rate base of \$213,574 in 2003.

BACKGROUND

HWC currently serves 210 metered-rate customers in the southeast desert basin, located approximately 28 miles South of Needles, San Bernardino County. The present rates were established on July 17, 2002 pursuant to Resolution W-4340, which authorized an offset rate increase for increased cost in purchased water. The last general rate increase became effective on January 9, 2002, pursuant to Resolution W-4316, which authorized an increase in rates of \$16,082 or 18.93% and a rate of return of 13.25%.

HWC is a corporation owned by W.R. Holcomb and E.L.Hodges. John Blythe is the plant operator, responsible for plant, equipment, pipe maintenance and water quality. Teddye Goodgame is responsible for account receivables, billing

and customer relations. Mrs. Hodges is an overall manager of the company, and also takes care of account payables and bookkeeping. Other maintenance employees are hired on a subcontract basis.

DISCUSSION

HWC has four pumps (including a diesel operated standby pump at Lake Havasu), a chlorinator, sand filter, a 50,000-gallon storage tank and a 10,000-gallon pneumatic tank. Water is disinfected by chlorine before entering the distribution system. The water transmission system consists of 4000 ft. of 6- and 8- inch diameter cement-asbestos pipes and is under continuous pressure. The system has varying pressures and there are some complaints of low pressures and outages (particularly by customers at higher elevations). Water supply is adequate. HWC meets all other provisions of GO 103.

California Department of Health Services (DHS) performed HWC's last annual inspection on January 14, 2000 and found some system deficiencies, which HWC has tried to correct. DHS has recommended the addition of a 100,000-gallon tank to provide acceptable contact time for chlorination and to repair the current 50,000-gallon tank. During the last general rate case, HWC obtained estimates and was in the process of contracting out the installation of the 100,000-gallon tank. In the ordering paragraph of Resolution W-4316, the Commission authorized HWC to "file an advice letter rate increase request to recover reasonable costs associated with the construction of the 100,000-gallon tank after such work has been completed and the tank is put into operation."

HWC has completed the construction of the tank and has put the tank into operation. The total cost of putting the tank into operation is \$130,000, which has been verified by the Commission staff. Staff determined the increase in revenue requirement by: a) allowing a 13.25% rate of return on the \$130,000 investment in the tank less average accumulated depreciation; b) adjusting the depreciation and income taxes expenses; and c) increasing revenues by the 2.4% CPI increase.

HWC's current rate structure consists of one schedule - Schedule No. 1, General Metered Service. At the Water Division's recommended rates, the monthly bill for a 5/8 x 3/4 inch metered customer using 600 cubic feet of water per month would increase by \$5.95 from \$44.28 to \$50.23 or 13.44%.

NOTICE AND PUBLIC MEETING

A notice of the proposed general rate increase was mailed to each customer on April 7, 2003. Two letters objecting the increase were received by the Water Division. The Consumer Affairs Branch (CAB) reports that HWC has received one complaint in year 2002.

During the public meeting in the last general rate case, company officials addressed the need for the 100,000-gallon tank to be financed through a future surcharge to be levied on the customers.

FINDINGS

1. In ordering paragraph 2, Resolution W-4316 authorized HWC to file an advice letter rate increase requesting recovery of construction of the 100,000-gallon tank.
2. Pursuant to Decision 92-03-093, all Class C and D water utilities are authorized to file once a year by advice letter for a rate increase based on the most recent year-end increase in the Consumer Price Index.
3. The rate base offset increase sought by HWC is based on actual construction costs. HWC has completed the construction of the tank and has put the tank into operation. The total construction cost of the tank was \$130,000, which has been verified by Commission staff.
4. The total increase will provide a 13.25% rate of return on a new rate base of \$213,574 in 2003.
5. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Havasu Water Company to file an advice letter incorporating the revised rate schedule attached to this resolution as Appendix A and concurrently cancel its presently effective rate Schedule No. 1, General Metered Service. Its filing

shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of its filing.

2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 8, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

**APPENDIX A
HAVASU WATER COMPANY**

**Schedule No. 1
GENERAL METERED SERVICE**

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract Nos. 6493, 6494, 6595, 5986, 8284, and vicinity, and a 40-acre parcel about 3,000 feet to the north located near Havasu Landing, approximately 28 miles south of Needles, San Bernardino County.

RATES

	Per Meter <u>Per Month</u>	
Quantity Rate:		
All water used per 100 cu. ft.	\$ 2.610	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 34.57	(I)
For 3/4-inch meter	51.85	
For 1-inch meter	86.42	
For 1-1/2 inch meter	172.84	
For 2-inch meter	414.82	
For 4-inch meter	2,160.52	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule No. LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner.
3. In the event that customer terminates service under this schedule and reinstates service at the same location, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

